

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LODI TOWNSHIP		County WASHTENAW
Audit Date MARCH 31, 2005	Opinion Date JULY 1, 2005	Date Accountant Report Submitted to State: AUGUST 2, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

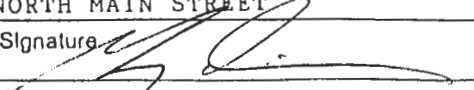
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

**WITH
INDEPENDENT AUDITORS' REPORT**

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended March 31, 2005**

As management of Lodi Township, Washtenaw County, Michigan, we offer readers of Lodi Township, Washtenaw County, Michigan's financial statements this narrative overview and analysis of the financial activities of Lodi Township, Washtenaw County, Michigan for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Lodi Township, Washtenaw County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$2,682,756 (*net assets*). Of this amount, \$1,962,362 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased \$61,080. This decrease is attributable to depreciation expense of \$10,596 and a decrease in investment in joint venture of \$29,941.
- As of the close of the current year, Lodi Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$2,037,521, a decrease of \$(46,746) in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$1,962,362 or 201.7 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lodi Township, Washtenaw County, Michigan's basic financial statements. Lodi Township, Washtenaw County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Lodi Township, Washtenaw County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Lodi Township, Washtenaw County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lodi Township, Washtenaw County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 3 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that been segregated for specific activities or objectives. Lodi Township, Washtenaw County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lodi Township, Washtenaw County, Michigan can be divided into two categories: governmental and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Lodi Township, Washtenaw County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the major governmental fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 6 of this report.

The basic fund financial statements with budget can be found on pages 7 – 8 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 – 19 of this report.

Other information. A Fiduciary Fund Schedule can be found on page 20 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lodi Township, Washtenaw County, Michigan, assets exceeded liabilities by \$2,682,756 at the close of the most recent fiscal year.

A small portion of Lodi Township, Washtenaw County, Michigan's net assets (7.7 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. Also, 16.3 percent of net assets represent the Township's investment in the Saline Area Fire Department. Lodi Township, Washtenaw County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lodi Township, Washtenaw County, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lodi Township, Washtenaw County, Michigan's Net Assets

	<u>Governmental Activities</u>
Current and other assets	\$ 2,144,965
Capital assets	206,922
Investment in joint venture	<u>438,313</u>
Total assets	<u>\$ 2,790,200</u>
Other liabilities	\$ <u>107,444</u>
Total liabilities	<u>\$ 107,444</u>
Net assets:	
Invested in capital assets and joint venture	\$ 645,235
Restricted for cemetery	75,159
Unrestricted	<u>1,962,362</u>
Total net assets	<u>\$ 2,682,756</u>

The remaining balance of *unrestricted net assets* (\$1,962,362) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lodi Township, Washtenaw County, Michigan is able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, Lodi Township, Washtenaw County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lodi Township, Washtenaw County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Lodi Township, Washtenaw County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Lodi Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$2,037,521, a decrease of (\$46,746) in comparison with the prior year.

The General Fund is the chief operating fund of Lodi Township, Washtenaw County, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,962,362.

The fund balance of Lodi Township, Washtenaw County, Michigan's General Fund decreased by (\$46,746) of which \$25,449 is a payback to schools on prior years' property taxes.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The Board realized when adopting the original budget that money would need to be transferred from the fund balance to help cover road repairs and other expenses. \$45,000 was transferred in to cover expected expenses not met by anticipated revenue.

A transfer from the Cemetery Fund was made to supplement the General Fund, cemetery maintenance line item to remove dead trees in the Township cemetery.

On-going increase of sheriff protection costs also contributed to the need to use fund balance dollars.

Election wages and supplies increased due to the new State Election Laws.

Phase II requirements (dues and other required funds) put an extra strain on the general fund money.

Funds needed were transferred from line items where the funds were not needed as originally budgeted.

Capital Assets

Capital assets. Lodi Township, Washtenaw County, Michigan's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$206,922 net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and equipment. The total increase in Lodi Township, Washtenaw County, Michigan's investment in capital assets for the current fiscal year was \$754.

Major capital purchases during the current fiscal year were a lateral file and two shelving units.

Lodi Township, Washtenaw County, Michigan's Capital Assets

	Governmental Activities
Land	\$ 35,090
Buildings	222,935
Furniture and equipment	<u>85,670</u>
Total	<u>\$ 343,695</u>

Additional information on Lodi Township's capital assets can be found in Note 5 on pages 17 and 18.

Economic Factors and Next Year's Budgets and Rates

When the Board of Lodi Township looks at a new budget, the State Shared Revenue and Township millages are considered. Lodi Township is a General Law Township with a decreasing one (1) mill tax. Again, for 2005-2006, Lodi Township anticipates transferring money from the fund balance to cover the cost of road projects.

Because the sheriff patrol is in question as to cost for the future, the Township may be asking for a millage for police services. At the time of this writing, it has not been decided upon.

Requests for Information

This financial report is designed to provide a general overview of Lodi Township, Washtenaw County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lodi Township, 3755 Pleasant Lake Road, Ann Arbor, Michigan 48103.

July 1, 2005

INDEPENDENT AUDITORS' REPORT

Lodi Township
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Lodi Township, Washtenaw County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lodi Township, Washtenaw County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Lodi Township, Washtenaw County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

July 1, 2005

Lodi Township
Washtenaw County, Michigan

The management's discussion and analysis on pages i through v is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lodi Township, Washtenaw County, Michigan's basic financial statements. The schedule of changes in assets and liabilities has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2005

	<u>Primary Government</u>
<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 221,117
Cash – cemetery	46,789
Investments	1,813,243
Investments – cemetery	28,370
Taxes receivable	24,350
Accounts receivable	8,513
Accrued interest receivable	2,471
Prepaid expenses	<u>112</u>
Total current assets	<u>2,144,965</u>
Investment in joint venture – Saline Area Fire Department	<u>438,313</u>
Capital assets:	
Land	35,090
Buildings and improvements	222,935
Furniture and equipment	85,670
Accumulated depreciation	<u>(136,773)</u>
Total capital assets	<u>206,922</u>
Total assets	<u>\$ 2,790,200</u>
 <u>LIABILITIES AND NET ASSETS</u> 	
Liabilities:	
Accounts payable	\$ 90,376
Other current liabilities	16,667
Unearned revenue	<u>401</u>
Total liabilities	<u>107,444</u>
Net assets:	
Invested in capital assets and joint venture	645,235
Restricted for cemetery	75,159
Unrestricted	<u>1,962,362</u>
Total net assets	<u>\$ 2,682,756</u>

The notes to the financial statements are an integral part of this statement.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2005

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
GOVERNMENTAL ACTIVITIES:				
Primary Government:				
Governmental activities:				
General government	\$ 281,082	\$ 51,201	\$	\$ (229,881)
Public safety	513,306	162,840		(350,466)
Highways and streets	165,707			(165,707)
Sanitation	22,508	4,433		(18,075)
Change in joint venture investment	<u>29,941</u>	<u></u>	<u></u>	<u>(29,941)</u>
Total governmental activities	<u>\$ 1,012,544</u>	<u>\$ 218,474</u>	<u>\$ -</u>	<u>(794,070)</u>
 General Revenues:				
Property taxes				302,508
Franchise taxes				27,053
State revenues				376,316
Investment earnings				23,658
Other				<u>3,455</u>
Total general revenues				<u>732,990</u>
Change in net assets				(61,080)
Net assets – beginning of year				<u>2,743,836</u>
Net assets – end of year				<u>\$ 2,682,756</u>

The notes to the financial statements are an integral part of this statement.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUND

March 31, 2005

	Governmental Fund Type
	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 221,117
Cash – cemetery	46,789
Investments	1,813,243
Investments – cemetery	28,370
Taxes receivable	24,350
Accounts receivable	780
Accrued interest receivable	2,471
Due from collection fund	7,733
Prepaid expenses	<u>112</u>
Total assets	<u>\$ 2,144,965</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 64,927
Due to tax collection fund	25,449
Escrow accounts	14,667
Trailer deposits	2,000
Unearned income	<u>401</u>
Total liabilities	<u>107,444</u>
Fund Balance:	
Reserved for cemetery	75,159
Unreserved, reported in:	
General Fund	<u>1,962,362</u>
Total fund balance	<u>2,037,521</u>
Total liabilities and fund balance	<u>\$ 2,144,965</u>
Total governmental fund balance	\$ 2,037,521
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities are not financial resources and are not reported in the fund:	
The cost of the capital asset is	343,695
The accumulated depreciation is	(136,773)
Investment in joint venture is not a current financial asset and is not reported in the fund.	<u>438,313</u>
Net assets of governmental activities	<u>\$ 2,682,756</u>

The notes to the financial statements are an integral part of this statement.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –

GOVERNMENTAL FUND

For the Year Ended March 31, 2005

	Governmental Fund Type
	<u>General Fund</u>
Revenues:	
Property taxes	\$ 302,508
Franchise taxes	27,053
Licenses and permits	33,445
Intergovernmental	376,316
Charges for services	25,901
Sale of cemetery lots	4,000
Special assessments	155,128
Interest earnings	23,658
Miscellaneous	<u>3,455</u>
Total revenues	<u>951,464</u>
Expenditures:	
Current:	
General government	270,486
Public safety	513,306
Highways and streets	165,707
Sanitation	22,508
Capital outlay	<u>754</u>
Total expenditures	<u>972,761</u>
Deficiency of revenues under expenditures	(21,297)
Adjustment of fund balance – prior years' property taxes	(25,449)
Fund balance – beginning of year	<u>2,084,267</u>
Fund balance – end of year	<u>\$ 2,037,521</u>
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance – total governmental fund	\$ (21,297)
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(10,596)
Capital outlay	754
The change in investment in joint venture is not shown in the governmental fund.	<u>(29,941)</u>
Change in net assets of governmental activities.	<u>\$ (61,080)</u>

The notes to the financial statements are an integral part of this statement.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	<u>\$ 295,000</u>	<u>\$ 295,000</u>	<u>\$ 302,508</u>	<u>\$ 7,508</u>
Franchise taxes	<u>25,000</u>	<u>25,000</u>	<u>27,053</u>	<u>2,053</u>
Licenses and permits:				
Liquor license	1,300	1,300	1,431	131
District court fees	5,000	5,000	5,108	108
Variance fees	1,500	1,500	2,500	1,000
Site plan review	5,000	5,000	6,000	1,000
Special use permits	1,000	1,000	8,150	7,150
Zoning permits	2,000	2,000	1,000	(1,000)
Site plan inspection	5,000	7,000	8,550	1,550
Dog license fees	50	50	46	(4)
Land split application fees	<u>1,000</u>	<u>1,000</u>	<u>660</u>	<u>(340)</u>
Total licenses and permits	<u>21,850</u>	<u>23,850</u>	<u>33,445</u>	<u>9,595</u>
Intergovernmental	<u>360,000</u>	<u>360,000</u>	<u>376,316</u>	<u>16,316</u>
Charges for services:				
House numbering	1,000	1,000	425	(575)
Trailer fees – Township's share	1,850	1,850	917	(933)
Collection fees	14,000	14,000	14,253	253
Copies	200	200	201	1
Private road inspection fees			1,960	1,960
Sheriff – false alarm fees	2,000	2,000		(2,000)
Fire protection revenues	4,000	4,000	3,712	(288)
Recycling			<u>4,433</u>	<u>4,433</u>
Total charges for services	<u>23,050</u>	<u>23,050</u>	<u>25,901</u>	<u>2,851</u>
Sale of cemetery lots	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Special assessments:				
General special assessment	3,920	3,920	4,119	199
Fire special assessment	<u>151,000</u>	<u>151,000</u>	<u>151,009</u>	<u>9</u>
Total special assessments	<u>154,920</u>	<u>154,920</u>	<u>155,128</u>	<u>208</u>
Interest earnings	<u>45,000</u>	<u>45,000</u>	<u>23,658</u>	<u>(21,342)</u>
Miscellaneous	<u>4,700</u>	<u>4,700</u>	<u>3,455</u>	<u>(1,245)</u>
Total revenues	<u>929,520</u>	<u>931,520</u>	<u>951,464</u>	<u>19,944</u>

The notes to the financial statements are an integral part of this statement.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General Government:				
Trustees	\$ 8,000	\$ 8,300	\$ 7,171	\$ 1,129
Supervisor	28,100	28,100	27,775	325
Clerk/Deputy Clerk	35,646	37,646	36,495	1,151
Treasurer/Deputy Treasurer	29,100	29,100	28,215	885
Assessor	41,400	38,900	38,852	48
Computer support	6,500	4,000	3,877	123
Township Hall	15,600	14,530	13,027	1,503
Elections	10,600	14,047	13,965	82
Boards of Review, Appeals, and Planning Commission	20,250	19,253	18,215	1,038
Site plan/zoning inspections	6,000	8,000	7,580	420
Corner lot markers	425	425		425
Legal/professional fees	33,600	23,790	19,753	4,037
Postage, printing, and supplies	11,000	11,000	11,124	(124)
Tax billings	300	425	375	50
Public notices	2,000	2,000	1,433	567
Insurance	18,000	18,570	18,570	
Association dues and fees	6,000	6,700	6,681	19
Payroll taxes	8,550	9,042	9,041	1
Miscellaneous	2,750	850	601	249
Cemetery care	<u>5,900</u>	<u>5,987</u>	<u>7,736</u>	<u>(1,749)</u>
Total General Government	<u>289,721</u>	<u>280,665</u>	<u>270,486</u>	<u>10,179</u>
Public Safety:				
Public protection	251,562	275,262	275,201	61
Fire protection	223,225	227,777	233,559	(5,782)
Street lights	<u>3,920</u>	<u>4,217</u>	<u>4,546</u>	<u>(329)</u>
Total Public Safety	<u>478,707</u>	<u>507,256</u>	<u>513,306</u>	<u>(6,050)</u>
Highways and streets	<u>138,392</u>	<u>166,707</u>	<u>165,707</u>	<u>1,000</u>
Sanitation	<u>19,200</u>	<u>21,750</u>	<u>22,508</u>	<u>(758)</u>
Capital outlay	<u>3,500</u>	<u>142</u>	<u>754</u>	<u>(612)</u>
Total expenditures	<u>929,520</u>	<u>976,520</u>	<u>972,761</u>	<u>3,759</u>
Excess (deficiency) of revenues over under expenditures	-	(45,000)	(21,297)	23,703
Adjustment of fund balance – prior years' property taxes			(25,449)	
Fund balance – beginning of year			<u>2,084,267</u>	
Fund balance – end of year			<u>\$ 2,037,521</u>	

The notes to the financial statements are an integral part of this statement.

LODI TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
March 31, 2005

	<u>ASSETS</u>	Tax Collection
		<u>Agency Fund</u>
Cash and cash equivalents		\$ 65,237
Receivable – other		<u>25,449</u>
		<u>\$ 90,686</u>
	<u>LIABILITIES</u>	
Due to taxing units		<u>\$ 90,686</u>

The notes to the financial statements are an integral part of this statement.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lodi Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective April 1, 2004, Lodi Township, Washtenaw County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Township's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Lodi Township has elected to implement the general provisions of the statement.

A. Reporting Entity

The Township of Lodi is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Lodi Township as a primary government. There are no component units to the Township.

Lodi Township is contractually involved in a governmental joint venture with the Saline Area Fire Department. (See Note 6). The Saline Area Fire Department is a separate reporting entity. (The most current audit available is for the year ended June 30, 2004). Lodi Township only includes its share of investment and costs in these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the government reports the following fiduciary fund types:

The *Tax Collection Fund* is used to account for assets held by the Township as an agent for other governments and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statements as "internal balances".

Personal property taxes receivable is shown net of an allowance for uncollectibles. At March 31, 2005, there is no allowance for uncollectibles.

3. Property taxes

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2004 ad valorem tax was levied and collectible on December 1, 2003. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which purchases the 2003 delinquent real property taxes, is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2004 adjusted taxable value of Lodi Township totaled \$309,802,225, on which ad valorem taxes levied for Township purposes were \$302,508. The millage rate was .9765. A special assessment of \$151,008 was levied for fire protection, which is based on the 2004 adjusted taxable value of real property only, which totaled \$301,678,657. The special assessment millage rate was .5000.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, building, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture and equipment	20
Office equipment	10

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

At March 31, 2005, there is a reservation of fund balance in the fund financial statements for cemetery activities of \$75,159.

A schedule of cemetery activity follows:

Beginning reservation of fund balance	\$ 72,235
Add:	
Cemetery lot sales	4,000
Interest earnings	674
Less:	
Cemetery maintenance	<u>(1,750)</u>
Ending reservation of fund balance	<u>\$ 75,159</u>

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

Lodi Township did not incur expenditures in the General Fund in excess of amount appropriated. Six line items in the General Fund incurred expenditures which were in excess of the amounts budgeted, as follows:

<u>General Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Government:			
Postage, printing and supplies	\$ 11,000	\$ 11,124	\$ (124)
Cemetery care	5,987	7,736	(1,749)
Public Safety:			
Fire protection	227,777	233,559	(5,782)
Street lights	4,217	4,546	(329)
Sanitation	21,750	22,508	(758)
Capital outlay	142	754	(612)

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

At year end, the carrying value of the Township's deposits was \$267,906 and the bank balance was \$279,502. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Township or by its agent in the Township's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Township's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Township's name.)

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
General Fund	<u>\$ 146,789</u>	<u>\$ -</u>	<u>\$ 132,713</u>	<u>\$ 279,502</u>

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Township increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

Bank balances shown in Category 1 are insured by Federal Depository Insurance.

All deposits are with banks located in Michigan as required by statutes.

Investments

The Township's investments are classified in the following three categories of credit risk: (1) Insured or registered, or securities held by the Township or its agent in the Township's name. (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name. (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name. The Township had investments with carrying value and bank balance of \$1,841,613 at year end.

	<u>CATEGORIES</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Cost Value</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 528,370	\$ -	\$ 850,937	\$ 1,379,307	\$ 1,379,307
Investments not subject to categorization:					
Repurchase Agreement				<u>462,306</u>	<u>462,306</u>
				<u>\$ 1,841,613</u>	<u>\$ 1,841,613</u>

The repurchase agreement is secured by underlying U.S. Agency securities held by the Community Bank of Dearborn.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 4. RECEIVABLES

Receivables as of year end for the Township's major fund, including the applicable allowances for doubtful accounts, are as follows:

	<u>General Fund</u>
Receivables:	
Taxes	\$ 24,350
Accounts	780
Accrued interest	<u>2,471</u>
Gross receivables	27,601
Less: Allowance for Accounts	<u>-</u>
Net total Receivables	<u>\$ 27,601</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance April 1, 2004</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2005</u>
Governmental activities:				
Assets, not being depreciated -				
Land	\$ 35,090	\$ -	\$ -	\$ 35,090
Capital assets, being depreciated:				
Buildings and improvements	222,935			222,935
Furniture and equipment	<u>84,916</u>	<u>754</u>	<u>-</u>	<u>85,670</u>
Depreciable capital assets	<u>307,851</u>	<u>754</u>	<u>-</u>	<u>308,605</u>
Less: Accumulated depreciation for:				
Buildings and improvements	80,256	4,459		84,715
Furniture and equipment	<u>45,921</u>	<u>6,137</u>		<u>52,058</u>
Total accumulated depreciation	<u>126,177</u>	<u>10,596</u>	<u>-</u>	<u>136,773</u>
Net depreciable capital assets	<u>181,674</u>	<u>(9,842)</u>	<u>-</u>	<u>171,832</u>
Governmental activities - net capital assets	<u>\$ 216,764</u>	<u>\$ (9,842)</u>	<u>\$ -</u>	<u>\$ 206,922</u>

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

NOTE 5. CAPITAL ASSETS (Continued)

Depreciation expense charged to functions is as follows:

Governmental activities:	
General government	\$ <u>10,596</u>
Total depreciation expense – governmental activities	\$ <u>10,596</u>

NOTE 6. CONTRACTUAL COMMITMENT – SALINE AREA FIRE DEPARTMENT

The Township is a participant with the City of Saline and the Townships of Saline and York in the operations of the Saline Area Fire Department (the SAFD), a volunteer fire department organized for the purpose of providing fire protection for the City and Townships. The SAFD is governed by an eight-member Board whose directors are selected and approved by the respective City and Township Boards. The Board annually approves an operating budget for the SAFD and is responsible for all operating and financing decisions of the SAFD.

Under the terms of the agreement, the Township pays a percentage of the cost of capital outlay and operating expenditures for the Fire Department. This percentage, which is currently 32.3%, is reviewed and adjusted as necessary on an annual basis based upon real and personal state equalized value, service area, population, miles of roads, and family dwelling units.

The ownership of all personal property and an equitable interest in all real estate acquired by the Fire Department is vested in the Township in direct proportion to the contribution made by the Township to the cost of the related real and personal property. If the agreement is terminated by the Township by notice of withdrawal, the capital interest of the Township will be returned to the Township in five equal annual installments commencing one year after the date of withdrawal, plus interest at the rate of 6% per annum on the unpaid balance.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

NOTE 6. CONTRACTUAL COMMITMENT – SALINE AREA FIRE DEPARTMENT (Continued)

Condensed financial information related to the SAFD as of June 30, 2004, is as follows:

	<u>Governmental Activities</u>
Statement of Net Assets:	
Total assets	\$ <u>1,785,637</u>
Total liabilities	\$ 428,632
Net assets	<u>1,357,005</u>
Total liabilities and net assets	\$ <u>1,785,637</u>
Statement of Activities:	
Revenues	\$ 729,711
Expenses	<u>(822,408)</u>
Net change in net assets	(92,697)
Beginning net assets	<u>1,449,702</u>
Ending net assets	\$ <u>1,357,005</u>

NOTE 7. ADJUSTMENT OF FUND BALANCE

The adjustment of fund balance in the General Fund is a result of Board of Review adjustments for homestead changes in prior years. The Township owes amounts of \$3,289 and \$22,160 to Ann Arbor Schools and Saline Area Schools, respectively.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2005

<u>ASSETS</u>	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2005</u>
Cash in bank	\$ 90,508	\$ 9,817,185	\$ 9,842,456	\$ 65,237
Receivable – other		<u>25,449</u>		<u>25,449</u>
Total assets	<u>\$ 90,508</u>	<u>\$ 9,842,634</u>	<u>\$ 9,842,456</u>	<u>\$ 90,686</u>
<u>LIABILITIES</u>				
Due to governmental units	\$ 90,508	\$ 9,842,634	\$ 9,842,456	\$ 90,686
Total liabilities	<u>\$ 90,508</u>	<u>\$ 9,842,634</u>	<u>\$ 9,842,456</u>	<u>\$ 90,686</u>

See independent auditors' report.